SaskTel

Saskatchewan Telecommunications Pension Plan

83rd Annual Report and Financial Statements

Year ended December 31, 2010

Board Mission Statement

The Board is committed to pursuing sound governance practices in discharging its responsibilities as administrator of the Pension Plan. The Board strives to ensure the Pension Plan is administered always in an effective manner and consistent with the fiduciary duties owed to plan members and other stakeholders.

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Message from the Chair

Dale Hillmer, **Chairperson**
Larry Bolster, **Member**
Mike Anderson, **Member**
Dale Baron, **Member**
Brian Renas, **Member**

To: All Contributors/Pensioners in the SaskTel Pension Plan

I am pleased to submit herewith extracts from the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended December 31, 2010 including the financial statements audited by the External Auditor.

Copies of the complete annual report are on file in the Pension Board office, 6th Floor, 2121 Saskatchewan Drive, Regina, Saskatchewan.

The overall rate of return for the Fund in 2010 was 11.7%.

The Corporation, Saskatchewan Telecommunications, has the ultimate responsibility to ensure that pension benefits are paid. As a result of the actuarial valuation completed during 2008, SaskTel will continue with additional funding to the plan until another valuation is completed. Employer contributions were $16.5 million in 2010 ($8.3 million in 2009).

If you have any questions or concerns, regarding the financial statements or any other matter, please do not hesitate to call Wendell Anderson at (306) 777-5100, Marg Selinger at (306) 777-2555 or Leeann Debert at (306) 777-2550.

Sincerely,

Dale Hillmer
Chairperson

March 25, 2011

Plan Membership

PLAN MEMBERS AS AT DECEMBER 31, 2010

Employee Members	116
Retired Members	2,056
Total Members	2,172

PRESENT RETIREES AT THE END OF THE 83RD YEAR PERIOD

		Average Age	As At Dec. 31, 2010	As At Dec. 31, 2009
Retirees 65 & Over	Males	74.00	573	560
	Females	75.96	293	290
Retirees Under 65	Males	58.48	611	635
	Females	57.71	310	316
Dependants	Spouses	74.84	252	246
	Children	16	1	1
Split Pensions	Males	0	0	0
	Females	65.32	16	14
			2,056	2,062

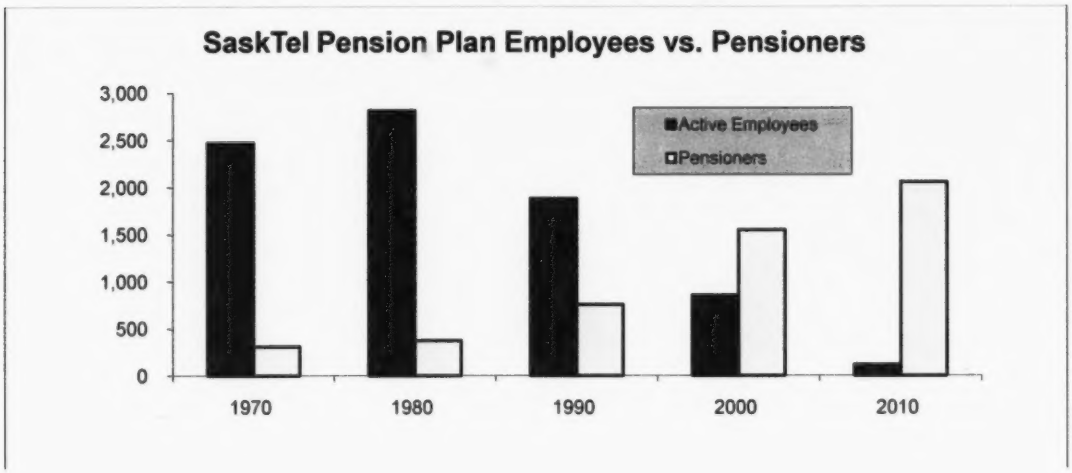
CUMULATIVE RETIREMENTS May 1, 1928 to December 31, 2010

	Male	Female	Total
Age Limit	199	81	280
Optional Retirement	1,518	750	2,268
Ill Health	49	25	74
*Ill Health Re-Employed			3
*Widows/Widowers			502
*Children			85
*Split Pensions			17
			3,229

*not tracked by Male/Female – only the total is available for these categories

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2010

	Male	Female	Total
Direct West Employees	-	6	6
SaskTel Employees	85	25	110
Total	85	31	116



Significant Events 2010

GOVERNANCE

Governance activities completed by the Board during 2010 included:

- Reviewed Strategic Plan and Risk Objectives
- Self assessment of governance structure
- Approved Statement of Investment Policies & Goals
- Progressed with the De-risking Plan

Actuarial Valuations

GENERAL

The Pension Benefits Regulations, 1993 require actuarial valuations be filed at least every three years. The results from the latest valuation as at December 31, 2007 are included. Valuations are filed with the Saskatchewan Financial Services Commission – Pensions Division and with Canada Revenue Agency.

ASSUMPTIONS FOR FUNDING PURPOSES

The actuarial assumptions used for funding purposes are a set of assumptions which reflects the Board's judgment of the most likely set of conditions affecting future events. Following are the significant actuarial assumptions used in the December 31, 2007 valuation to determine the actuarial value of pension benefits. The actuarial assumptions used for the December 31, 2006 valuation are shown for comparison purposes:

Significant Assumption	Valuation as at Dec. 31, 2007	Valuation as at Dec. 31, 2006
Gross Rate of Return on Assets	6.50%*	6.50%*
Provision for Future Expenses	0.25%	0.25%
Discount Rate for Liabilities	6.50%	6.50%
Inflation	2.50%	2.50%
Salary Escalation	3.50%	3.50%
Future Indexing	2.00%	2.00%

Mortality rates were applied utilizing the Uninsured Pensioner 1994 Mortality Table with mortality improvements projected to the year 2015 (2006 Valuation used the same table).

*Net of a margin for funding purposes, representing conservatism from market best estimate.

ACCOUNTING, FUNDING, AND SOLVENCY EXTRAPOLATIONS

The **Accrued Projected Benefit Method** Prorated on Services is used for financial reporting purposes and provides a valuation based on benefits earned to the date of the financial statements only.

The **Ongoing Funding Method**, although not acceptable for financial reporting purposes, provides a valuation that considers benefits earned to-date as well as future benefits to be earned and contributions to be made. It is the method used by the actuary to measure the ability of the Plan to meet current and future obligations to Plan members.

The **Solvency Method** determines the solvency position of the plan if it were wound up on the valuation date.

Following is a comparative analysis of the Plan surplus (deficit) under the three methods:

Method (Thousands of dollars)	2010 (Extrapolated)	2009 (Extrapolated)	2008 (Extrapolated)
Accrued Projected Benefit Method	(105,036)*	($80,449)	$17,759
Ongoing Funding Method	10,945	($50,360)	($111,605)
Solvency Method	(181,196)	($215,910)	($218,117)

*Accrued Projected Benefit Method based on accounting standards at December 31, 2010 and accounting valuation at November 30, 2009.

FUNDING

The Pension Benefits Regulations, 1993 require Ongoing Funding deficiencies be eliminated in 15 years and Solvency deficiencies be eliminated in five years. The Corporation has the ultimate responsibility to ensure that the pension benefits are paid. Following is a summary of the annual contributions required.

	2010	2009
	(Thousands of dollars)	
Employee Contributions	$360	$528
Employer Current Service Cost	1,128	1,649
Amortization of Unfunded Liability	0	0
Amortization of Solvency Deficiency	15,341	6,629
Employer Contributions	$16,469	$8,278
Total Contributions	$16,829	$8,806

Investment Governance

OBJECTIVE OF THE PLAN

The purpose of the Saskatchewan Telecommunications Pension Plan (the "Plan) is to meet the present and future obligations accumulated on behalf of the Plan's participants.

INVESTMENT POLICY

The Statement of Investment Policies and Goals (SIP&G) is updated and approved by the SaskTel Pension Plan Board annually. The policy provides a framework for the prudent investment and administration of the pension fund. The policy also provides the investment managers with a written statement of specific quality, quantity and rate of return standards.

Plan assets (Fund) should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return. An assessment of the risk tolerance of the Plan considers the cash demands and the closed nature of the Plan, along with the financial position. The Plan maturity is above average in that retired lives dominate the membership, and liquidity needs are increasing. The need for continued growth is also a consideration, given the 2% guaranteed indexing for retirees and the impact of inflation on the future pension liabilities of the active members. Based on these factors, the Fund can assume a modest level of investment risk, defined as the volatility of returns in any year, to achieve the income and growth objectives. This assessment implies a long-term asset mix strategy that has a significant position in fixed income and as well as equity exposure for diversification and growth.

RISK PHILOSOPHY

While prudent management seeks to avoid excessive volatility, it is recognized that a low risk investment policy will earn a low rate of return. The impact may be that the Plan's liabilities grow faster than the assets. Therefore, in order to achieve the long-term investment goals, the Fund must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. However, the Board attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

RISK MANAGEMENT

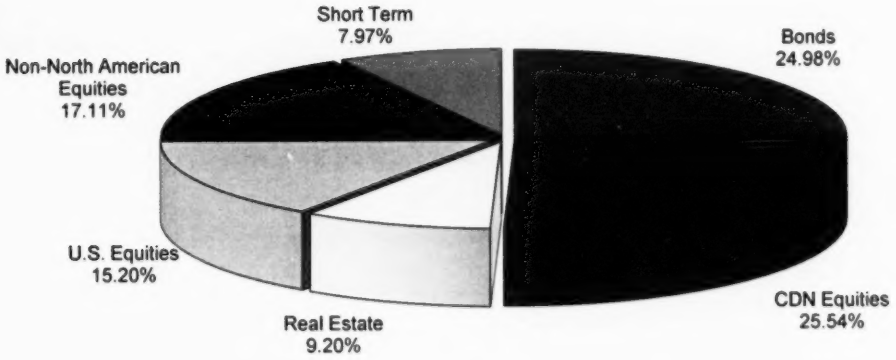
The Board is responsible for identifying business risks that could adversely affect the operation of the plan and the provision of the benefits promised by the plan. Through the annual strategic planning and risk assessment process, the Board will review risk management strategies and ensure the appropriate systems are in place and steps are taken to manage risks.

ASSET MIX

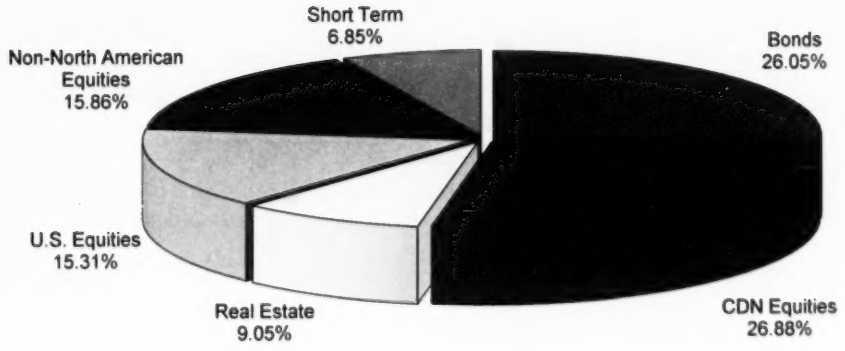
Taking into consideration the investment and risk philosophy of the Fund, the following range and target asset mix has been established:

	Range	Target
Equities (Includes Real Estate)	50 – 78%	64%
Fixed Income	30 – 50%	36%

December 31, 2010



December 31, 2009



Investment Performance

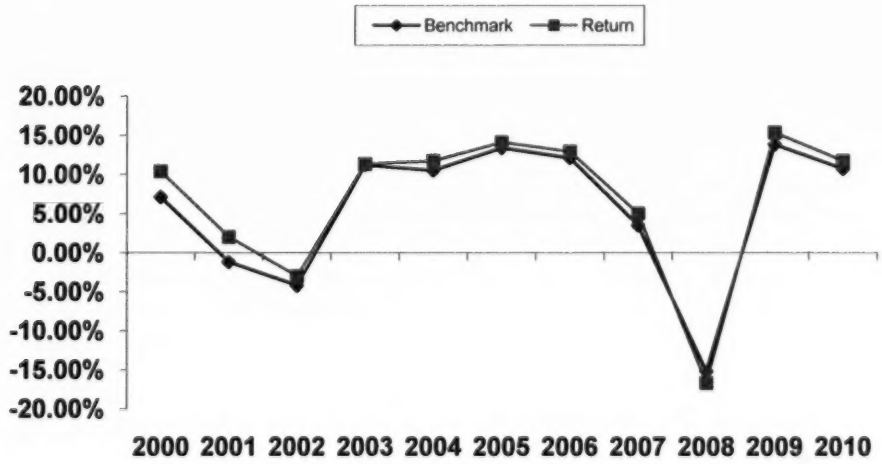
The Total Fund return for 2010 of 11.7% exceeded the expected return of 6.5% but trailed the 2009 return of 13.8%.

The 2010 result tracked above the policy benchmark return of 10.7%. On an absolute basis, the Canadian equity market was one of the best performing in the year at 17.6%. The U.S. market also provided double digit returns, however a strong Canadian dollar partly offset this result. The Pension Plan's policy to partially hedge the U.S. dollar exposure was beneficial again in 2010. Also leading returns were bonds, with double digit returns coming from declining yields in longer dated bonds and real return bonds. Finally, active management was strong, with each of the Pension Plan's active managers tracking above target indices.

For the four years ended December 2010, the Fund had an annualized gross rate of return of 3.1%, tracking 0.8% per year above the 2.3% policy benchmark return. Absolute returns were muted by the 2008 equity market decline, with the Fund led by stronger real estate and bond results. Active management helped, nonetheless, the Fund fell short of the long term return objective of 6.5%.

Return on Investments %	2010	2009
Annual Return	11.7	13.8
Annual Benchmark	10.7	15.3
Four year annualized return	3.1	3.4
Four year benchmark	2.3	2.8

Historical Annual Returns %



Investment Management

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets. The companies hired for custodial, investment management, and consulting services are listed below:

As the custodian of the pension fund assets, **RBC Global Services** performed the processing and handling of investment transactions.

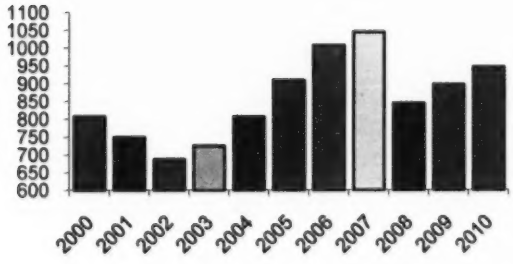
The investment managers managed the investing and disposing of Plan assets. **Greystone Capital Management Inc.** has a balanced mandate. **Beutel Goodman & Company Ltd.** has a specialty Canadian equity mandate. **TD Asset Management (TDAM)** has a bond and US equities index mandate. **Grantham, Mayo, Van Otterloo & Company (GMO)** has a specialty all country ex. U.S. equity mandate.

As the consultant to the Board, **AON Hewitt** provided analytical and financial advice.

Financial Highlights

Net assets available for benefits increased by 5.5% in 2010

SaskTel Pension Plan
Net Assets
$ (millions)

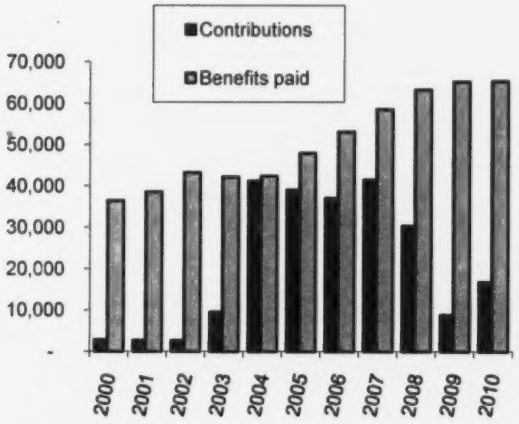


Net Assets Available for Benefits

	2010	2009
	$ (Thousands of dollars)	
Net assets available for benefits - opening balance	**$896,306**	$844,271
Plus: Investment Income	**23,758**	27,520
Contributions	**16,829**	8,806
Less: Benefits	**65,353**	65,201
Expenses	**3,027**	2,535
Unrealized gains (losses)	**77,155**	83,445
Net assets available for benefits at year end	**$945,668**	$896,306

Contributions increased from $8.8 million in 2009 to $16.8 million in 2010. SaskTel contributed $16.5 million in 2010 ($8.3 in 2009). Increased company contributions are a result of the increased solvency payments. Employee contributions decreased from $0.5M in 2009 to $0.4M in 2010 due to fewer employees contributing to the Plan as a result of employees reaching maximum years of service.

Benefits Paid and Contributions
$ (thousands)



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements included in the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended December 31, 2010, are the responsibility of management and have been approved by the Pension Board. Management has prepared the financial statements in accordance with generally accepted accounting principles in Canada. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Pension Board is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Pension Board fulfills this responsibility through periodic meetings with management and with the internal and external auditors. Both the internal and external auditors have free access to the Pension Board to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The Pension Plan's annual financial statements have been reviewed in detail with the entire Pension Board prior to approval by the Pension Board.

The financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.

Mike Anderson
Chief Financial Officer

Marg Selinger
Pension Plan Manager
Administrator, SaskTel Pension Board

March 25, 2011

Actuary's Opinion

Aon Hewitt was retained by the Saskatchewan Telecommunications Pension Board (the "Board") to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Telecommunications Pension Plan (the "Plan") as at November 30, 2009. The Board retained Aon Hewitt to prepare an extrapolation of the Plan's liabilities from November 30, 2009 to December 31, 2010. This extrapolation was used to prepare the actuarial information for inclusion in the Annual Report for the year ended December 31, 2010.

The extrapolation of the Plan's liabilities to December 31, 2010 was based on:

- An actuarial valuation (based on membership data provided by the Board) as at November 30, 2009;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon Hewitt and are considered as management's best estimate of these events.

While the actuarial assumptions used to determine liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in my opinion these assumptions are reasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

The data has been tested for reasonableness and consistency with prior valuations and in my opinion the data is sufficient and reliable for the purposes of the valuation and extrapolation. It is also my opinion that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. My opinions have been given, and the valuation and extrapolation has been performed in accordance with accepted actuarial practice.

David R. Larsen
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

February 17, 2011

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Telecommunications Pension Plan, which comprise the statement of net assets available for benefits, accrued pension benefits and deficit as at December 31, 2010, the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and deficit of Saskatchewan Telecommunications Pension Plan as at December 31, 2010 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Regina, Canada
March 25, 2011

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS, AND DEFICIT

As at December 31 (Thousands of dollars)	2010	2009
Assets		
Cash	**$67**	$59
Accrued investment income	**4,121**	3,717
Contributions receivable		
Employee	**3**	6
Employer	**1**	4
Investments (Note 5)	**942,643**	893,658
	946,835	897,444
Liabilities		
Accounts payable	**1,167**	1,138
NET ASSETS AVAILABLE FOR BENEFITS	**945,668**	896,306
ACCRUED PENSION BENEFITS	**1,050,704**	976,755
DEFICIT	**($105,036)**	($80,449)

See accompanying notes to the financial statements

Approved by the Pension Board

Dale Hillmer – Chairperson

Dale Baron – Member

Mike Anderson – Member

Larry Bolster – Member

Brian Renas – Member

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31 (Thousands of dollars)	2010	2009
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	**$896,306**	$844,271
INCREASE IN ASSETS		
Investment income (Note 6)	**23,758**	27,520
Increase in fair value of investments	**77,155**	83,445
Contributions		
Employers'	**16,469**	8,278
Employees' current and past service	**360**	528
	16,829	8,806
Total increase in assets	**117,742**	119,771
DECREASE IN ASSETS		
Benefits paid to pensioners and beneficiaries	**65,353**	65,201
Administration costs (Note 8)	**2,531**	2,308
Refunds and transfers		
Contributions	**192**	75
Interest	**304**	152
	496	227
Total decrease in assets	**68,380**	67,736
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**$945,668**	$896,306

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

For the year ended December 31 (Thousands of dollars)	2010	2009
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$976,755**	$826,512
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on pension obligations	**56,731**	59,670
Benefits accrued	**1,693**	1,789
Curtailment loss	**-**	20
Impact of assumption changes (Note 9)	**81,374**	154,192
	139,798	215,671
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	**65,849**	65,428
	65,849	65,428
ACCRUED PENSION BENEFITS, END OF YEAR	**$1,050,704**	$976,755

See accompanying notes to the financial statements

Notes to Financial Statements

Note 1 - Description of the Plan

The following description of the Saskatchewan Telecommunications Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Saskatchewan Telecommunications Pension Plan Text.

General

The Plan is a defined benefit plan maintained by Saskatchewan Telecommunications (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees' Pension Plan by October 1, 1978. Effective January 1, 1999, the Plan is governed by the Pension Benefits Act, 1992 (the Act). Prior to January 1, 1999 the Plan was governed by the Saskatchewan Telecommunication Superannuation Act and the Superannuation (Supplementary Provisions) Act. The Plan is registered under The Income Tax Act and The Pensions Benefits Act, 1992, registration #0360891, and is administered by a five person Board appointed by the Corporation and Union.

Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation for funding purposes was performed as of December 31, 2007.

Plan members are required to contribute to the Plan a percentage of their pensionable salary. They contribute 7%, 8% or 9% of salary depending on their age at the date of commencement of employment, less contributions to the Canadian Pension Plan.

The financial health of the Plan is guaranteed by the Corporation, which contributes the additional amounts necessary to properly fund payment of benefits to Plan members. Effective January 1, 2010 the Corporation is contributing to the Plan at a rate of 334% of employee contributions. In addition, the Corporation made solvency deficit contributions of $15.3 million in 2010 ($6.6 million in 2009).

Benefits

The Corporation guarantees the payment of the pension benefits payable under the terms of the pension plan as amended from time to time, including:

Service pensions
The SaskTel defined benefit pension plan provides a full pension at age 65, at age 60 with at least 20 years of service, or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest three years of employment earnings times the number of years of service up to a maximum of 35 years of service. A reduced pension may be opted for if certain age and years of service criteria are met. At age 65 members' pensions are reduced due to integration with the Canada Pension Plan.

Plan members may also elect to receive a joint annuity whereby a reduced pension is payable during the life of the member and/or the life of the spouse or dependents. When the plan member dies the spouse is entitled to receive a pension equal to 100% of the reduced pension.

Note 1 - Description of the Plan, continued

If a member retires before age 65, the member may elect a varied allowance, whereby, an additional allowance is received until age 65 at which time the allowance will be reduced.

Health pensions
The Plan provides for early retirement when a member is permanently incapable, as declared by the Board, of performing his/her regular job duties.

Survivors' pensions
If a plan member dies after retiring, the surviving spouse receives 60% of the member's pension. Dependants under 18 receive 10%, to a maximum of 25% for all dependants combined.

Death refunds
A death refund is payable to the estate or designated beneficiary of a pensioner, in an amount equal to the difference between the pensioner's accumulated contributions and interest less the total sum of all allowances paid.

Refunds and transfers

Upon ceasing employment with the Corporation, plan members may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer accumulated contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan as permitted by the Act.

Income taxes

The Plan is a Registered Pension Plan as defined in The Income Tax Act and is not subject to income taxes.

Note 2 - Significant accounting policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

Basis of accounting

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

Note 2 – Significant accounting policies, continued

Investments

Investments are stated in the financial statements at fair value. Bonds, pooled funds, and equities are determined with reference to year-end prices from recognized securities dealers. Fair values for mortgages are computed using yield to maturity calculations. Real estate investments are valued based on independent appraisals. Short term investments are valued at cost, which approximates fair value. Transactions are recorded as of the trade date.

Increase/Decrease in fair value of investments

The change in fair value reflects the current year's realized and unrealized gains and losses on investments.

Translation of foreign currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in investment income.

Note 3 – Future accounting policy changes

Effective January 1, 2011 the Plan will adopt section 4600 of the CICA Handbook which replaces section 4100. This section provides guidance on the measurement of the Plan's pension obligation and any investments held by the Plan. This section also provides the Plan with ability to select to follow International Financial Reporting Standards (IFRS) or Accounting Standards for Private Enterprises for all other accounting policies.

The Plan will follow IFRS as that is the set of accounting standards that will be adopted by the Plan sponsor, SaskTel. At this time management does not expect there to be a significant impact on the Plan's financial statements.

Note 4 – Objectives, policies, and processes for managing capital

The objective of the Plan is to meet the present and future pension obligations accumulated on behalf of the Plan's participants, while complying with the Pension Benefits Act, 1992 and Canada Revenue Agency regulations.

The Plan's investment policy provides a framework for the prudent investment and administration of the Pension Fund for the purpose of managing capital assets. The policy provides the investment managers with a written statement of specific quality, quantity and rate of return standards. The policy is re-visited annually to ensure it is meeting the objectives of the Plan's capital management to ultimately meet all pension obligations.

Note 4 – Objectives, processes and policies for managing capital, continued

The process for managing capital is accomplished by diversifying asset classes and further diversifying within each individual asset class.

Investment managers have been engaged to invest Plan assets based on guidelines approved by the Pension Board. The objective of these investment guidelines is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio of Canadian and foreign equities and bonds, within the parameters prescribed under The Income Tax Act and The Pensions Benefits Act, 1992. Due to the long-term nature of the pension obligations and related cash flows, investment mix guidelines consider differences in the interest rate sensitivity of the Plan's assets and liabilities.

The Plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. Any other type of investment is not permitted without prior approval of the Board.

Note 5 - Investments

The Fund has the following investments:

(Thousands of dollars)	**2010**	2009
Short term investments	**$75,181**	$61,235
Real estate	**768**	22,239
Pooled real estate	**85,955**	58,582
Canadian equities	**227,913**	227,525
Canadian pooled equity funds	**12,814**	12,672
US equities	**62,724**	65,879
Non-North American pooled equity funds	**161,295**	141,763
US pooled equity fund	**80,524**	70,980
Bonds	**155,077**	160,429
Pooled bond fund	**80,392**	72,354
Total Investments	**$942,643**	$893,658

Short term investments

Short term investments are comprised of treasury bills, notes and commercial paper with a market yield of 0.9% to 1.2% (2009 - 0.1% to 0.4%) and an average term to maturity of 54.5 days (2009 - 69.8 days). The Plan's investment policy states that investments must meet a minimum investment standard of "R-1" as rated by the recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 28.7% (2009 - 6.2%) of the fair value of the short-term investment portfolio.

Real estate

Investments in real estate consist of Canadian commercial property.

Note 5 – Investments, continued

Equities

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment manager's portfolio. At December 31, 2010, 5.1% (2009 - 7.0%) was the largest individual holding. Individual holdings are restricted, by Fund policy, to a maximum of 10% of the common stock in any Corporation. At December 31, 2010, 0.05% (2009 - 0.07%) was the largest individual holding.

Bonds

The Plan's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio. The Fund held 2.9% in BBB bonds as at December 31, 2010 (2009 - 2.6%).

(Thousands of dollars)	**2010 Fair Value**	**2010 Weighted Average Yield (%) to Maturity at Market**	**2010 Average Years to Maturity**	2009 Fair Value	2009 Weighted Average Yield (%) to Maturity at Market	2009 Average Years to Maturity
Government of Canada	**$30,817**	**3.96**	**21**	$27,516	4.45	23
Province of Saskatchewan	**7,079**	**4.79**	**26**	7,462	5.15	27
Other Provincial	**67,405**	**4.85**	**23**	76,220	5.13	23
Corporate	**49,776**	**5.24**	**26**	49,231	6.03	26
Total	**$155,077**	**4.80**	**24**	$160,429	5.29	24

Note 6 – Investment income

(Thousands of dollars)	**2010**	2009
Short term investments	**$411**	$352
Real estate	**224**	2,868
Canadian equities	**5,660**	6,155
Canadian pooled equity funds	**1,336**	1,023
US equities	**1,500**	1,153
Non-North American pooled equity funds	**2,979**	4,448
US pooled equity fund	**217**	-
Bonds	**7,734**	8,836
Pooled bond fund	**3,672**	2,616
Other	**25**	69
Total Investments	**$23,758**	$27,520

Note 7 - Financial instruments

The Plan's financial instruments include cash and short-term investments, bonds, equities, and real estate, which by their nature are subject to risks. The carrying amount of cash approximates fair value due to its immediate or short-term nature. The carrying amount of all other instruments is defined in the fair value hierarchy section of this note.

The nature of the Plan's operations result in the statement of net assets available for benefits, accrued pension benefits and surplus that consist primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by SaskTel Pension Board. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of debt and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to market risk primarily through government bonds, corporate bonds, and money market instruments. Fair value adjustments will fluctuate based on changes in market prices. Bonds consist of mostly provincial & federal government and corporate bonds with varying maturities to coincide with pension plan obligations, and are managed based on this maturity profile and market conditions.

The Plan is exposed to changes in interest rates in its bonds and money market instruments. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase net assets available for benefits by $34 million representing 11% of the carrying value of $311 million.

Foreign exchange risk

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to Europe, Australasia and Far East (EAFE) currencies through its investment in the pooled equity fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 40% total of the market value of the total investment portfolio. At December 31, 2010, the Plan's exposure to U.S. equities was 15.2% (2009 - 15.3%) and its exposure to non-North American equities was 17.1% (2009 - 15.9%).

At December 31, 2010, a 10% strengthening (weakening) in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $6.3 million decrease (increase) in the net assets available for benefits. A 10% strengthening (weakening) in the Canadian dollar versus the EAFE currencies would result in approximately a $16.1 million decrease (increase) in the net assets available for benefits.

Note 7 - Financial instruments, continued

No more than 15% of the market value of the bond and debentures portfolio is allowed to be invested in bonds of foreign issuers, however no foreign bonds were held in 2010.

Equity price risk

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 57.8% (2009 - 58.1%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

The Plan's equity price risk can be assessed using Value at Risk (VaR), a statistical technique that measures the potential change in an equity asset class. The following calculations are based on returns and volatility over the preceding four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall no more than the values outlined in the following table 95% of the time (19 times out of 20 years), based on December 31 market values in each year. Stated differently, there is a 5% statistical probability that the equity portfolio values would fall by more than the declines noted below.

Asset Class (Thousands of dollars)	**2010**	2009
Canadian equities	**$(57,382)**	$(54,625)
US equities	**(38,214)**	(33,135)
Non-North American equities	**(48,672)**	(36,276)

Credit risk

The Plan's credit risk arises primarily from certain investments. The maximum credit risk to which it is exposed at December 31 is limited to the carrying value of the financial assets summarized as follows:

(Thousands of dollars)	**2010**	2009
Cash	**$67**	$59
Accrued investment income	**4,121**	3,717
Bonds and pooled bond funds	**235,469**	232,783
Short term investments	**75,181**	61,235

Credit risk within investments is primarily related to bonds and short term investments. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds is BBB, and for money market instruments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Note 7 - Financial instruments, continued

Credit ratings for bonds and pooled bond funds are as follows:

	2010		2009	
	(Thousands of dollars)		(Thousands of dollars)	
Credit Rating	Fair Value	% of Portfolio	Fair Value	% of Portfolio
AAA	**$126,314**	**53.7**	$89,940	38.6
AA	**64,797**	**27.5**	65,491	28.1
A	**37,426**	**15.9**	71,352	30.7
BBB	**6,932**	**2.9**	6,000	2.6
Total	**$235,469**	**100%**	$232,783	100%

Within bond investments, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No holding of one corporate issuer is over 2.3% of the market value of the bond portfolio.

Through its custodian, the Plan participates in an investment security lending program. Collateral of at least 105% of the market value of the loaned securities is held for the loan. This collateral is marked to market on a daily basis. In addition, the custodian provides indemnification against any potential losses in the securities lending program. At December 31, 2010, the Plan had $97 million (2009 - $80 million) of securities loaned under the program and held collateral of $102 million (2009 - $84 million).

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. This risk is mitigated through daily management of anticipated cash flows.

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Note 7 - Financial instruments, continued

Level 1 – Where quoted prices are readily available from an active market.
Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

	2010			2009		
(Thousands of dollars)	Level 1	Level 2	Total	Level 1	Level 2	Total
Bonds	$ -	$155,077	$155,077	$ -	$160,429	$160,429
Pooled bond fund	80,392	-	80,392	72,354	-	72,354
Canadian equities	227,913	-	227,913	227,525	-	227,525
Canadian pooled equity funds	12,814	-	12,814	12,672	-	12,672
US equities	62,724	-	62,724	65,879	-	65,879
Non-North American pooled equity funds	161,295	-	161,295	141,763	-	141,763
Real estate	85,955	768	86,723	58,582	22,239	80,821
US pooled equity fund	80,524	-	80,524	70,980	-	70,980
Short term investments	1,670	73,511	75,181	2,959	58,276	61,235
	$713,287	$229,356	$942,643	$652,714	$240,944	$893,658

Note 8 - Administration costs

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan. Other direct out of pocket expenses including custodial, investment manager and consulting fees are paid by the Plan. The costs to administer the Plan (staff salaries, actuarial and auditor costs) are also borne by the Plan and are reflected in the accompanying financial statements. The Board has developed, with the assistance of its consultant, specific investment policies and guidelines that the investment managers must adhere to when making investment decisions.

Note 9 - Accrued pension benefits

The present value of accrued pension benefits was determined using the accrued projected benefit method prorated on services. An actuarial valuation for accounting purposes was performed at November 30, 2009 and extrapolated to December 31, 2010 by AON Hewitt, a firm of consulting actuaries. An actuarial valuation is an assessment of the financial status of a pension plan. It consists of the valuation of assets held by the fund and the calculation of the actuarial present value of benefits to be paid under the terms of the plan.

Accrued pension benefits are sensitive to changes in the discount rate, the inflation rate, salary escalation and future indexing. Based upon advice obtained from its actuaries and pension consultant, the Pension Board applies best estimate assumptions on these and other future economic events. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimates. Impact due to Actuarial Valuation measures the difference between actual experience and the best estimates during the period between actuarial valuations.

Note 9 – Accrued pension benefits, continued

Following are the significant assumptions used to determine the actuarial present value of accrued pension benefits as at December 31:

Significant Assumption	**2010**	2009
Discount Rate	**5.25%**	6.00%
Inflation	**2.50%**	2.50%
Salary Escalation	**3.00%**	3.00%
Future Indexing	**2.00%**	2.00%

The following illustrates the effect on the Plan's accrued pension benefit of changing certain actuarial assumptions:

	Long - Term Assumptions						
	Discount Rate		Inflation		Salary Escalation		Future Indexing
	4.25%	6.25%	1.50%	3.50%	2.00%	4.00%	1.0%
(Thousands of dollars)							
Increase (decrease) in liability	$125,900	($104,210)	$57,684	($103,803)	($463)	$464	($123,030)

The Plan Text guarantees future indexing at 100% of CPI to a maximum of 2%. Therefore the impact of future indexing at a rate higher than 2% is not applicable.

The mortality rate was applied using the Uninsured Pensioner 1994 Table with mortality improvements projected to the year 2020.

The pension liability is long term in nature. There is no ready market for settling the pension obligation and the Plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of the pension liability is not practical.

Note 10 - Investment performance

The investment manager makes the day to day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The investment performance objectives are set by the Board. The Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over rolling 4-year periods. For the four years ending December 31, 2010, the Fund had an annualized gross rate of return of 3.1%. The investment benchmark for this four-year period was 2.3%.

The annual rate of return generated by the Fund in 2010 was 11.7% as compared to the investment benchmark of 10.7%. The 2009 return was 13.8% vs the benchmark of 15.3%.

Note 11 - Related party transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government.

The Plan holds Province of Saskatchewan bonds with a total face value of $5,694,000 (2009 - $6,469,000) and a total fair value of $7,078,723 (2009 - $7,461,527). Income totaled $372,283 (2009 - $445,803).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

During the year the Plan paid $286,000 (2009 - $260,000) to the Corporation for administration fees.

SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS FROM THE PERIOD MAY 1, 1928 TO DECEMBER 31, 2010

(Thousands of dollars)

CUMULATIVE INCREASE IN ASSETS		
Investment income		$928,957
Cumulative increase in fair value of investments		487,731
Contributions		
Employers'		351,625
Employees' - Active	9,066	
- Retired, deferred	101,324	
- Resigned	15,712	
- Transferred	649	126,751
Early and enhanced retirement adjustments		19,450
Employer withdrawal		(34,200)
Employees' interest on back contributions		729
		1,881,043
CUMULATIVE DECREASE IN ASSETS		
Benefits paid to pensioners and beneficiaries	903,051	
Refund of employees' contributions	12,502	
Interest on refunded employees' contributions	4,772	
Transfer of contributions	7,623	
Transfer of interest on contributions	7,281	
Supplementary retirement payments to employees not eligible for pension	93	
Death benefits (matching amount)	36	
Interest on employee's savings plan	17	935,375
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 2010		$945,668